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- **Utility and Stimulus Project Inclusion is Bad.** The potential inclusion of utility and ARRA stimulus funded projects creates tremendous uncertainty with regard to the carve-out remaining for other solar projects and thus the financing and development of other solar projects. Discussions with bankers confirm this. In addition, utility and ARRA project have the advantage of double dipping into other financing sources and create an unlevel playing field for other projects. ARRA funding could fund 20+MW of solar and utilities could develop another 50 MW each by 2012. This potential capacity would far exceed all of the S-REC requirements through 2012. While it is ambitious to assume that all of these projects will be developed, the prospect that they could be, and the likelihood that a meaningful portion will be installed creates tremendous uncertainty as well as an unlevel playing field for the development and financing of other projects. **Recommendation. We believe the S-REC levels and ramp-up are appropriate only if utility and stimulus projects are explicitly excluded from the S-REC program. Otherwise, we would recommend increasing the S-REC levels in initial years based on the actual impact of utility and stimulus projects.**

- **Need an Additional Measure to Ensure that the Opt-In Auction will Clear.** Based on discussions and feedback from bankers, we believe that there are scenarios where the Opt-In Auction would not clear and thus the mechanism does not create a floor on S-REC value from a financing perspective. This could occur when the market is long S-RECs and that LSEs are not motivated to buy S-RECs at $300/MWh regardless of an indefinite shelf-life extension. In fact, under conditions where the market is long S-RECs, the Opt-In price may create a ceiling for non-auction transactions. **Recommendation. In order to ensure that the Opt-In Auction will clear, and to incentivize non-auction transactions above the $300/MWh, we recommend that in the event that an Opt-In Auction does not clear that both the shelf life is extended and the future requirement is increased immediately before the next auction is held (or a similar mechanism is in place). The increase of the future requirement would be similar to the Auction Account Reliance Trigger, only it would occur immediately after each Opt-In Auction that does not clear.**

- **The 400 MW Cap Should be Increased to 1000 MW.** Why? Based on a what we infer to be a planned Opt-In Auction Eligibility Term reduction of 1 year per year (assuming no triggers), you will very likely have projects being developed that still need to rely on a few years of Opt-In Auction eligibility after the 400 MW cap would be exceeded in about year 7 of the policy, or about the same time that the Federal Tax Credit is set to expire. This could result in a turbulent transition for projects seeking to be installed after the cap is hit or completely stall solar growth just a few years before the market no longer needs S-RECs and in a year where the Federal Tax Credit is set to expire. In theory, the incremental 600 MW will be relatively cheap and only require an average max of about 3 years of opt-in auction at $300/MWh. This translates into a future max ratepayer impact of about $.03/kWh for the incremental 600 MW of solar energy assuming a project life of ~30 years. **Recommendation. The Cap should be increased to 1000 MW reflect the planned**

phased out of the Opt-In Auction Eligibility over 10 years and to ensure a smooth and thoughtful transition for solar from S-REC to REC with due consideration to the expiration of the federal tax credit in 2016.